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Message Text

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SUBJECT:US GENERALIZED SYSTEM OF PREFERENCES (GSP) AND EC REVERSE PREFERENCE ISSUE

REF: A. 175

1. USG HAS MADE DECISION WITH RESPECT TO SECTION 502 B(3) OF TRADE ACT OF 1974 THAT AFRICAN, CARIBBEAN AND PACIFIC COUNTRIES (ACP) AND SEVERAL OTHER DEVELOPING COUNTRIES WHICH NOW GRANT PREFERENCES TO THE EC ARE TO BE DESIG-NATED AS GSP BENEFICIARIES WHERE THEY ARE NOT FOUND INELIGIBLE UNDER OTHER GSP PROVISIONS OF THE TRADE ACT. IN THE CASE OF THE ACP COUNTRIES PRESENTLY GRANTING PREFERENCES UNDER YAOUNDE AND ARUSHA AGREEMENTS, USG DETERMINATION BASED PRIMARILY ON EXPECTATION THAT
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REVERSE PREFERENCES WILL BE ELIMINATED, AS LOME

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CONVENTION NOW PERMITS. IN CASE OF TUNISIA,
DETERMINATION REFLECTS EXPECTATION THAT MAGHREB

WILL SUCCEED IN ELIMINATING REQUIREMENT FOR REVERSE
PREFERENCES AND WILL IN FACT REMOVE THEM. IN CASE
OF EGYPT WHERE WE HAVE NO EXPECTATION THAT PREFERENCES
ACCORDED THE EC WILL BE ELIMINATECD, DETERMINATION
BASED ON JUDGEMENT

THAT EXISTING PREFERENCES DO NOT NOW HAVE SIGNIFICANT
ADVERSE EFFECT ON US COMMERCE.

2. FOR ACP POSTS (EXCEPT LAGOS, MOGADISCIO, AND
LIBREVILLE WHERE HOST COUNTRIES PRESENTLY NOT DESIGNATED
GSP BENEFICIARIES FOR OPEC OR NATIONALIZATION REASONS):
EMBASSY SHOULD TAKE APPROPRIATE OCCASION TO WELCOME
FINAL AGREEMENT IN LOME CONVENTION TO ELIMINATE REQUIRE-
MENT FOR REVERSE PREFERENCES. WHERE POSSIBILITY EXISTS
(E.G., IVORY COAST AND SENEGAL) THAT ACP MEMBERS MAY
VOLUNTARILY CONTINUE TO GIVE PREFERENTIAL TARIFF
ADVANTAGE TO EC SUPPLIERS, EMBASSIES SHOULD MAKE
ADDITIONAL REPRESENTATIONS WITH VIEW TO DISCOURAGING
SUCH POLICIES. IN SUCH CASES, EMBASSIES SHOULD NOTE
THAT DECISION TO CONTINUE REVERSE PREFERENCES AFTER
THE JANUARY 1, 1976 DATE SPECIFIED IN TRADE ACT
WOULD REQUIRE USG REVIEW TO DETERMINE WHETHER SUCH
PREFERENCES HAVE ACTUAL OR LIKELY SIGNIFICANT ADVERSE
EFFECT ON US COMMERCE. IF SIGNIFICANT ADVERSE EFFECT
IS FOUND, IT WOULD HAVE TO BE OFFSET THROUGH MODIFICATION
OF THE GSP BENEFICIARY'S TARIFF OR COUNTRY IN
QUESTION WOULD FACE REMOVAL FROM GSP ELIGIBILITY.
ABANDONMENT OF REVERSE PREFERENCES, WHICH WOULD SEEM
TO BE IN THE INTEREST OF DEVELOPING COUNTRIES, IS
DEFINITIVE MEANS OF REMOVING POSSIBILITY OF FUTURE
DIFFICULTIES RE GSP ELIGIBILITY. EMBASSY MAY WISH TO
REPEAT PRIOR GENERAL ARGUMENTS THAT REVERSE PREFERENCES
ARE DISADVANTAGEOUS TO COUNTRY GRANTING THEM AND TO
THIRD COUNTRIES.
3. FOR RABAT: IN CASE OF MOROCCO, DETERMINATION OF
ELIGIBILITY UNDER SECTION 502 B (3) BASED ON ABSENCE OF
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REVERSE PREFERENCES IN PRESENT AGREEMENT AND EXPECTATION
THAT NONE WILL BE CONTAINED IN PROSPECTIVE AGREEMENT.
EMBASSY SHOULD APPLAUD TREND AWAY FROM REVERSE PRE-
FERENCES AS EVIDENCED BY LOME CONVENTION AGREEMENT
BETWEEN EC-ACP COUNTRIES AND NOTE OUR UNDERSTANDING
THAT MAGHREB COUNTRIES SEEKING ELIMINATION
OF REVERSE PREFERENCE REQUIREMENT FROM AGREEMENT
PRESENTLY UNDER NEGOTIATION WITH EC. EMBASSY MAY,

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AS APPROPRIATE, MAKE POINTS IN PARAGRAPH 2 RE TRADE ACT REQUIREMENTS. IF USEFUL, EMBASSY MAY ALSO NOTE US UNDERSTANDING THAT ARAB LEAGUE IS TAKING ACTIVE ROLE IN OPPOSING PREFERENCES ACCORDED TO DEVELOPED COUNTRIES BY LEAGUE MEMBERS (REF. A).
4. FOR TUNIS: EMBASSY SHOULD TAKE APPROPRIATE OCCASION TO INDICATE BASIS OF DETERMINATION OF TUNISIAN ELIGIBILITY AS STATED PARAGRAPH 1 NOTING USG REQUREMENT TO KEEP GSP ELIGIBILITY UNDER REVIEW WHERE PREFERENCES TO DEVELOPED COUNTRIES WILL BE MAINTAINED AFTER JANUARY 1, 1976. REPRESENTATIONS MAY ALSO DRAW UPON POINTS SUGGESTED PARAS 2 AND 3, AS APPROPRIATE.

5. FOR CAIRO: EMBASSY REQUESTED TAKE APPROPRIATE OCCASION TO INDICATE BASIS OF DETERMINATION OF ELIGIBILITY OUTLINED PARA 1. EMBASSY SHOULD NOTE THAT IN ABSENCE OF ANY INDICATION THAT EGYPT PLANS TO DROP REVERSE PREFERENCES, WASHINGTON AGENCIES HAVE CONDUCTED REVIEW OF EC-EGYPTIAN AGREEMENT AND OF EGYPTIAN TRADE PATTERNS PARTICULARLY WITH REGARD TO TRADE ITEMS ON WHICH THERE IS A MARGIN OF PREFERENCE FOR EC GREATER THAN 5PERCENT AD VALOREM AND IN WHICH BOTH THE US AND THE EC HAVE SUBSTANTIAL TRADE INTEREST. IN ABSENCE OF FINDING SUCH ITEMS, CON-
CLUSION REACHED IS THAT THERE IS NO SIGNIFICANT ADVERSE EFFECT ON US COMMERCE WITHIN MEANING OF TRADE ACT EXISTS AT PRESENT TIME. PROVISIONS OF TRADE ACT NEVERTHELESS OBLIGE US TO KEEP UNDER REVIEW ELIGIBILITY OF COUNTRIES GIVING REVERSE PREFERENCES SINCE FUTURE DEEPENING OF EXISTING PREFERENCES OR SUBSTANTIAL ALTERATION OF TRADE PATTERNS COULD AFFECT FUTURE ELIGIBILITY. EMBASSY SHOULD NOTE THAT ELIMINATION OF REVERSE PREFERENCES AS ACP COUNTRIES
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HAVE DONE IN LOME AGREEMENT AND AS MAGHREB COUNTRIES APPEAR LIKELY TO DO IS MOST DEFINITIVE WAY TO AVOID POSSIBILITY OF FUTURE PROBLEMS ARISING UNDER SECTION 502 B (3) GSP ELIGIBILITY REQUIREMENTS. EMBASSY MAY WISH TO DRAW ON ADDITIONAL PARA 2 AND 3 ARGUMENTS AGAINST REVERSE PREFERENCES.

6. ALTHOUGH ABOVE GUIDANCE PREPARED FOR POSTS USE 1) IN EXPLAINING GSP PROVISIONS AS THEY RELATE TO EC-ACP AND EC-MEDITERRANEAN TRADE PREFERENCES AND 2) IN ADVANCING US INTERESTS WITH RESPECT TO ELIMINATION OF REMAINING REVERSE PREFERENCES ACCORDED EC WHERE THIS MAY BE POSSIBLE, SAME CONSIDERATIONS ARISE WITH RESPECT TO RESIDUAL COMMONWEALTH PREFERENCES WHICH ALSO WILL BE SUBJECT OF CONTINUING REVIEW WITH

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RESPECT TO COUNTRY ELIGIBILITY UNDER SECTION 502 B.
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